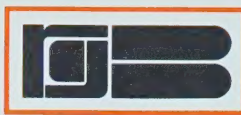


AR31



**ANNUAL REPORT 1965** RAPID GRIP AND BATTEN, LIMITED



#### DIRECTORS

R. A. Batten, Sr.	R. O. Funston
J. H. Batten	K. E. Hopkins
R. A. Batten	D. R. Keedwell
W. H. Batten	D. J. Walker
C. A. Brook	

#### OFFICERS

J. H. Batten	<i>Chairman of the Board</i>
R. A. Batten	<i>President</i>
W. H. Batten	<i>Executive Vice-President</i>
D. R. Keedwell	<i>Vice-President and Secretary</i>
K. E. Hopkins	<i>Vice-President Sales</i>
R. W. Porter	<i>Comptroller</i>

#### BRANCH MANAGERS

<i>Toronto</i>	N. H. Clark
<i>Montreal</i>	R. L. Munro
<i>Ottawa</i>	D. S. Guest
<i>Herold &amp; Garbe</i>	W. A. Herold

#### TRANSFER AGENTS AND REGISTRARS

*Shares* — Montreal Trust Company, Toronto  
*Bonds* — Guaranty Trust Company of Canada, Toronto

#### AUDITORS

Touche, Ross, Bailey & Smart

#### BANKERS

The Royal Bank of Canada

#### SOLICITORS

Walker, Milton, Rice & Ellis

## FIVE YEAR FINANCIAL SUMMARY

	1965	1964	1963	1962	1961
<i>Current Position</i>					
Current assets .....	\$2,418,426	\$2,326,390	\$1,906,029	\$1,668,965	\$1,745,727
Current liabilities .....	\$1,465,930	\$1,532,237	\$604,426	\$482,962	\$483,711
Working capital .....	\$952,496	\$794,153	\$1,265,602	\$1,186,003	\$1,262,015
Current ratio .....	1.6	1.5	3.0	3.4	3.6
<i>Property, Plant &amp; Equipment</i>					
Investment in property, plant equipment and improvements .....	\$4,500,756	\$4,555,053	\$3,695,453	\$3,499,354	\$3,390,813
Accumulated depreciation .....	\$2,634,293	\$2,681,306	\$2,476,984	\$2,327,016	\$2,199,372
Provision for depreciation .....	\$178,808	\$180,902	\$159,674	\$179,735	\$181,820
Amortization of improvements ....	\$29,142	\$27,544	\$23,687	\$16,577	\$17,277
Expenditures .....	\$325,703	\$881,425	\$210,762	\$194,607	\$155,169
<i>Funded Debt</i>					
Bonds outstanding .....	\$249,000	\$286,000	\$291,000	\$295,500	\$372,500
Earnings before bond interest, depreciation and income taxes ..	\$634,970	\$515,543	\$474,745	\$431,520	\$497,379
Times bond interest earned .....	51.0	36.1	32.6	29.2	26.7
Bond interest .....	\$12,974	\$14,444	\$14,636	\$17,483	\$18,706
<i>Shareholders' Equity</i>					
Preferred stock .....	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000
Class A and common stock .....	\$541,088	\$541,088	\$383,850	\$383,850	\$383,850
Retained earnings .....	\$1,523,631	\$1,398,852	\$1,329,006	\$1,232,111	\$1,211,310
Class A and common equity .....	\$2,064,719	\$1,939,940	\$1,712,856	\$1,615,961	\$1,595,160
Per share* .....	\$6.99	\$6.57	\$6.77	\$6.38	\$6.30
<i>Earnings and Dividends</i>					
Net earnings .....	\$224,679	\$169,745	\$158,634	\$120,701	\$152,352
Per preferred share .....	\$56.16	\$42.43	\$39.65	\$30.17	\$38.09
Per class A share* .....	\$1.58	\$1.15	\$1.06	\$ .76	\$1.01
Per common share* .....	\$ .74	\$ .41	\$ .46	\$ .16	\$ .41
Dividends declared .....	\$99,900	\$99,900	\$99,900	\$99,900	\$99,900
Per preferred share .....	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00
Per class A share .....	\$ .60	\$ .60	\$ .60	\$ .60	\$ .45
Per common share .....	—	—	—	—	\$ .15

\*After giving effect to the subdivision of common shares authorized in 1961



## PRESIDENT'S REPORT to the Shareholders

On behalf of your Board of Directors, I am pleased to present the Company's Consolidated Balance Sheet at December 31, 1965, Consolidated Statements of Earnings and Retained Earnings for the year and the Auditors' Report to the Shareholders. For your convenience, these statements are supplemented by a comparative Five Year Summary and a Consolidated Statement of Working Capital.

Although the expropriation of a portion of our Montreal property has been mentioned in previous reports, settlement with the authorities is progressing but agreement has not yet been reached. The expenditures incurred are shown in the Consolidated Balance Sheet as "Expropriation expenditures recoverable." It should be noted that such amount does not include any estimate for the value of properties nor for reparations being determined by negotiation with the authorities. An advance payment of \$103,333, based upon a portion of the municipal assessment, was received during the year without prejudice to our total claim and has been applied in the accounts to reduce the value of the buildings expropriated.

### *Sales and Earnings*

The provisions under the Canada Corporations Act requiring disclosure of the total amount of sales were considered by your directors to be detrimental to the interests of the Company and pursuant to an Order of the Chief Justice of Ontario the total amount of sales has been omitted from the accounts. However, your Company has again enjoyed a satisfactory improvement in sales volume during the year.

Consolidated earnings after all expenses and income taxes were \$224,679 compared to earnings in 1964 of \$169,745 an increase of \$54,934. Earnings were equivalent to \$56.16 on each preferred share and after providing for the respective annual dividends \$1.58 was available for each class A share and 74¢ for each common share. In the previous year earnings available for each preferred share were \$42.43, for each class A share \$1.15 and for each common share 41¢. Earnings include an amount of \$9,377 representing proceeds on the disposal of certain Winnipeg assets in excess of cost. Interest on bank loans necessary to finance the Montreal expropriation has been charged to operations but recovery of these amounts is anticipated. Profit improvement in 1965 has been partly due to the inclusion of profits generated by the motion picture subsidiaries acquired in 1964.

Dividends totalled \$99,900, unchanged from last year. Payments were made quarterly at the annual rate of \$6.00 on each preferred share and 60¢ on each class A share.

### *Financial Position*

Consolidated working capital at the end of the fiscal year amounted to \$952,496 compared with \$794,153 recorded at the end of the previous year. The liability for income taxes has been calculated upon depreciation charged in the accounts on the basis of established normal capital cost allowances. Tax returns were filed for the year 1964 claiming capital cost allowances in excess of the depreciation recorded as permitted under tax incentive legislation. It is expected that this procedure will be followed for 1965. The amount by which income tax payments have been reduced is carried forward in the balance sheet under "Deferred Income Taxes" to be applied in future years when capital cost allowances claimed are less than the depreciation recorded.





Redemptions of the Company's sinking fund bonds amounted to \$37,000 and reduced funded debt to \$249,000. The amount of bonds necessary to complete the sinking fund instalment due June 1, 1966 has been included in current liabilities. Earnings before Bond interest, depreciation and income taxes amounted to \$634,970 compared with \$515,543 last year.

#### *Production Facilities*

During the year expenditures on fixed assets amounted to \$299,632 and a further amount of \$26,071 was expended on plant improvements. Total capital expenditures were \$325,703 in comparison with purchases of \$881,425 last year. A substantial portion of our expenditures was made to reconstruct and equip premises owned by the Company for the operation of the film production subsidiary, Rabko Television Productions Co. Ltd. After being in operation a comparatively short time fire damage at Rabko estimated at \$120,000 was incurred which, in our opinion, was adequately covered by insurance. As previously reported our facilities in Winnipeg were sold during the year to eliminate repeated operating losses.

It is not expected that capital expenditures for 1966 will vary significantly from the year under review.

#### *Employee Relations*

A number of union contracts were settled during 1965 and negotiations in 1966 will be confined to the Electrotypers and Stereotypers Union of Montreal and Toronto.

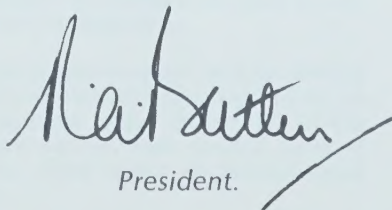
The Company's pension plan was amended to provide for integration with the Canada and Quebec Pension Plans. However, the reduced cost of the Company plan will only partly offset the estimated cost of the government plans.

#### *Outlook*

Those familiar with our business will appreciate the uncertainty of sales and profit predictions. Nevertheless, it is expected that the buoyant level of business indicated by the first months results will continue for at least the first half of the year. Our production costs will rise not only from supply purchases and contractual labour increases but as a result of sales taxes and pension contributions which must be met with continuing improvement to production efficiency. While Rabko has been able to meet production commitments and maintain a fair level of volume, the fire damage has caused increases in production costs which will have some effect on profits. No major programme of diversification can be undertaken until the funds needed to finance the Montreal expropriation are released but progress of a modest nature using existing facilities has been achieved. There are indications that our expropriation claim will be decided upon by the authorities within the next few months and while there is no reason to believe that our claim will not be settled on a satisfactory basis, the possibility of borrowing funds to finance any shortfall cannot be overlooked.

#### *Appreciation*

The maximum prosperity of the Company can only be achieved by the constant efforts of all employees to maintain product quality and service to our customers. Your directors wish to express their appreciation for the co-operation and endeavours of our employees whose contributions have made possible the significant improvement to our operations recorded during the year.

  
President.

**ASSETS**

<i>Current</i>	<b>1965</b>	<b>1964</b>
Cash .....	\$ 60,772	\$ 117,152
Accounts receivable .....	1,637,947	1,496,573
Expropriation expenditures recoverable (Note 2) .....	333,013	294,453
Materials, supplies and work in process—at the lower of cost and market .....	200,694	206,423
Cash surrender value of life insurance .....	159,624	145,245
Prepaid expenses .....	26,376	66,544
<b>TOTAL CURRENT ASSETS .....</b>	<b><u>\$2,418,426</u></b>	<b><u>\$2,326,390</u></b>
 <i>Investments — at cost</i>		
Shares in associated companies .....	\$ 88,000	\$ 68,000
Advances to associated companies .....	38,215	30,000
Other investments .....	23,719	50,783
	<u>\$ 149,934</u>	<u>\$ 148,783</u>
 <i>Property, Plant and Equipment</i>		
Land — at cost .....	\$ 305,854	\$ 305,854
Buildings, machinery and equipment — at cost .....	\$3,895,326	\$3,981,182
Less accumulated depreciation .....	2,634,293	2,681,306
	<u>\$1,261,033</u>	<u>\$1,299,876</u>
Plant improvements, less amounts written off .....	86,071	89,141
	<u>\$1,652,958</u>	<u>\$1,694,871</u>
 <i>On behalf of the Board</i>		
R. A. BATTEN, <i>Director</i>		
D. R. KEEDWELL, <i>Director</i>		
	<u><u>\$4,221,318</u></u>	<u><u>\$4,170,044</u></u>

**Notes:**

1. The consolidated financial statements include the accounts of the Company and all wholly-owned subsidiaries.

2. The amount recoverable under government expropriation of a portion of the Company's Montreal property is indeterminable at the present time but expenditures incurred (exclusive of property) in connection with relocation have been segregated and are shown in the balance sheet as "Expropriation expenditures recoverable." An advance payment of \$103,333 based on a portion of the municipal assessment was received dur-





## LIABILITIES

<i>Current</i>	1965	1964
Bank indebtedness — secured .....	\$ 723,552	\$ 784,372
Accounts payable and accrued .....	515,403	551,868
Dividends payable .....	24,975	24,975
Estimated income taxes .....	76,813	59,814
Other taxes payable .....	81,187	75,208
Sinking fund requirements .....	44,000	36,000
<b>TOTAL CURRENT LIABILITIES .....</b>	<b><u>\$1,465,930</u></b>	<b><u>\$1,532,237</u></b>
<i>Deferred Income Taxes</i> .....	\$ 65,900	\$ 24,400
<i>Mortgage Payable</i>		
5½% mortgage due July 1, 1970 .....	\$ 19,769	\$ 23,467
<i>Funded Debt</i>		
Authorized \$1,000,000		
Issued		
5% First Mortgage Sinking Fund Bonds		
Series A, due June 1, 1969 .....	\$ 800,000	\$ 800,000
Less redeemed and cancelled .....	551,000	514,000
	<u>\$ 249,000</u>	<u>\$ 286,000</u>
Less current sinking fund requirements .....	44,000	36,000
	<u>\$ 205,000</u>	<u>\$ 250,000</u>
<i>Shareholders' Equity</i>		
Capital stock (Note 3)		
Authorized: 10,000 6% cumulative redeemable preferred shares with a par value of \$100 each and callable at \$104. 200,000 60c cumulative participating class A shares and 200,000 common shares all without nominal or par value.		
Issued:		
4,000 preferred shares .....	\$ 400,000	\$ 400,000
126,500 class A shares } .....	541,088	541,088
168,500 common shares }		
Retained earnings .....	<u>1,523,631</u>	<u>1,398,852</u>
	<u>\$2,464,719</u>	<u>\$2,339,940</u>
	<u><u>\$4,221,318</u></u>	<u><u>\$4,170,044</u></u>

ing the year without prejudice to our total claim and has been applied in the accounts to reduce the value of the buildings expropriated.

3. By resolution of the Board of Directors dated October 19, 1965, an Employees Stock Option Incentive Plan was approved and options were granted to employees to purchase 10,000 of the unissued common shares of the Company. The options are exercisable over a period of ten years from that date at a price of \$2.42¼ a share being 85% of the market bid price on the last trading day preceding the date options were granted. 9,000 of

the shares under option were granted to directors who were also officers of the Company.

4. An aggregate amount of \$169,816 was paid by the Company for directors' remuneration.

5. The total amount of sales or gross revenue derived from the operations of the Company required to be disclosed in the accounts under Section 117 of the Canada Corporations Act has been omitted pursuant to an Order of the Chief Justice of Ontario dated February 22, 1966.

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

for the year ended December 31, 1965

	1965	1964
Balance beginning of year .....	\$1,398,852	\$1,329,007
Earnings for the year .....	224,679	169,745
	<u>\$1,623,531</u>	<u>\$1,498,752</u>
Deduct:		
Dividends on preferred shares .....	\$ 24,000	\$ 24,000
Dividends on class A shares .....	75,900	75,900
	<u>\$ 99,900</u>	<u>\$ 99,900</u>
Balance, end of year .....	<u>\$1,523,631</u>	<u>\$1,398,852</u>

## CONSOLIDATED STATEMENT OF EARNINGS

for the year ended December 31, 1965

	1965	1964
Earnings from operations before taking into account the following items .....	\$ 703,081	\$ 520,295
Deduct:		
Depreciation .....	\$ 178,808	\$ 180,902
Amortization of plant improvements .....	29,142	27,544
Bond interest .....	12,974	14,444
Other interest .....	50,818	24,753
	<u>\$ 271,742</u>	<u>\$ 247,643</u>
	<u>\$ 431,339</u>	<u>\$ 272,652</u>
Add:		
Investment and other income .....	2,472	10,170
Profit on disposal of Winnipeg assets .....	9,377	—
Refund of prior years' executive pension premiums .....	—	37,375
Earnings before income taxes .....	\$ 443,188	\$ 320,197
Income taxes .....	218,509	150,452
Earnings for the year .....	<u>\$ 224,679</u>	<u>\$ 169,745</u>



# CONSOLIDATED STATEMENT OF WORKING CAPITAL

for the year ended December 31, 1965

<i>Sources of Working Capital</i>	1965	1964
<i>Operations</i>		
Earnings .....	\$ 224,679	\$ 169,745
Depreciation .....	178,808	180,902
Amortization of plant improvements .....	29,141	27,544
Deferred income taxes .....	41,500	24,400
	<u>\$ 474,128</u>	<u>\$ 402,591</u>
<i>Other</i>		
Mortgages receivable .....	2,680	12,110
Advance payment on expropriation .....	103,333	—
Disposal of Winnipeg assets .....	41,825	—
Issue of common shares .....	—	157,238
Sale of sundry shares .....	—	300
	<u>\$ 621,966</u>	<u>\$ 572,239</u>
<i>Application of Working Capital</i>		
Property .....	\$ 130,574	\$ 652,388
Plant and equipment .....	154,549	167,821
Plant improvements .....	26,071	54,593
Investments .....	3,831	24,484
Redemption of bonds and sinking fund requirements .....	45,000	41,000
Mortgage payable .....	3,698	3,502
Dividends to shareholders .....	99,900	99,900
	<u>\$ 463,623</u>	<u>\$1,043,688</u>
Net increase (decrease) in working capital for the year .....	\$ 158,343	(\$471,449)
Working capital at beginning of year .....	794,153	1,265,602
Working capital at end of year .....	<u>\$ 952,496</u>	<u>\$ 794,153</u>

## AUDITORS' REPORT

The Shareholders,  
Rapid Grip and Batten, Limited.

We have examined the consolidated balance sheet of Rapid Grip and Batten, Limited and subsidiary companies as at December 31, 1965 and the related consolidated statement of earnings, retained earnings and working capital for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance

sheet and the related consolidated statements of income, retained earnings and working capital present fairly the financial position of the company and its subsidiaries as at December 31, 1965, the results of their operations and the source and application of working capital for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,  
March 1, 1966.

*Touche, Ross, Bailey & Smith*

Chartered Accountants.

## COMPANIES AND PRODUCTS

### Toronto

#### RAPID GRIP AND BATTEN, LIMITED

300 Bay Street, Head Office  
181 Richmond Street West  
224 Richmond Street West  
205 Richmond Street West

Creative Art, Photography,  
Printing Plates, Photostats,  
Newspaper Syndicate Services

#### HEROLD & GARBE

388 King Street West

Offset Reproductions and Press Plates

#### RABKO TELEVISION PRODUCTIONS CO. LIMITED

179 Richmond Street West

Motion Picture Producers

#### \*FILMPRO LIMITED

447 Jarvis Street

Television Film Distributors

#### \*ARCO ADVERTISERS REVISIONS LIMITED

447 Jarvis Street

Television Commercial Revisions and Adaptations

#### MEDALLION FILM LABORATORIES LTD. (*associated company*)

447 Jarvis Street

Motion Picture Processing and Distribution Service

### Montreal

#### RAPID GRIP AND BATTEN, LIMITED

910 Hermine Street

Colour Separations and Printing Plates for  
the offset and letterpress industry

#### ARNOTT ROGERS BATTEN LTD. (*associated company*)

1121 St. James Street West

Creative Art, Photography, Audio Visual and  
Catalogue Services, Photostats

#### ARB MOTION PICTURES LTD. (*associated company*)

1121 St. James Street West

Motion Picture Producers

### Ottawa

#### RAPID GRIP AND BATTEN, LIMITED

144 City Centre

Creative Art, Photography,  
Printing Plates, Photostats

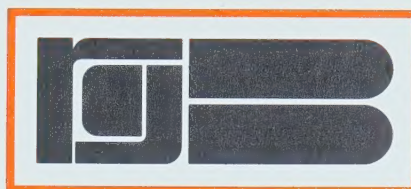
#### COLAB

144 City Centre

Professional Photographic  
Laboratory Services

\*As of February 1, 1966 the operations of these Companies were transferred to Medallion Film Laboratories Ltd.





Your company has recently re-designed its symbol. Engaged as we are in the audio and visual communications business, it is doubly important that we be represented by a symbol that is both modern and effective in its design.

Our problem was to take three almost incompatible letters, and combine them in a form that was modern and legible and at the same time, imparted the feeling that they represented a stable trustworthy organization that has grown 93 years young serving the needs of the Graphic World. We feel we have answered this problem.

We proudly present the new corporate image of Rapid Grip and BATTEN, Limited that soon will be in use on all stationery, packaging, trucks, advertising and buildings of all divisions and branches of your company. We sincerely hope that you approve of our choice on your behalf.

